

Duke, Daphne

From: Diane Lehder
Sent: Sunday, March 20, 2022 11:49 AM
To: PSC_Contact
Subject: [External] Fwd: Kiawah Island Utility Rate Increase Application

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From: Diane Lehder
Date: Sun, Mar 20, 2022 at 10:56 AM
Subject: Kiawah Island Utility Rate Increase Application
To: <communications@psc.sc.gov>
Cc: Stephanie Monroe-Tillerson

To: SC Public Services Commission

From: Diane Z. Lehder

Thank you for the opportunity to make a few comments on the rate increase recently requested by Kiawah Island Utility (KIU).

I write this letter not only as a residential Kiawah Island Utility (KIU) ratepayer here on Kiawah Island, but also as someone who was intimately involved in the Kiawah Property Owners Group intervention in KIU's 2012 rate increase application and who testified in their 2017 rate increase application as well. I am concerned that some of the decisions the Commission made in the 2017 case - particularly continuing to treat KIU as a small Developer-owned utility rather than as part of a large utility conglomerate - continue to create issues for the community it serves.

KIU was initially a wholly owned subsidiary of Kiawah Partners, the Master Developer on Kiawah Island. No longer a small Developer-owned company since its sale in 2016, KIU is now part of a large privately owned utility conglomerate. At the time of purchase, SouthWest Water boasted over a million customers across five states. Today it services significantly more than a million customers across six states. Regardless of how it perceives itself, KIU should no longer be entitled to the benefits extended by the PSC to small utilities.

I have a number of observations and concerns about the proposed rate increase. I offer them here in no particular order.

- The application uses 2020 as the "test year." While I do not know what impact doing so has on this request, I do question whether it is a fair assumption. Much of our country was shut down with covid that year. Many non-resident property owners became temporary residents here on Kiawah, and many others escaped here once short term rentals became available. The unusually high use of water and sewer that year should not be used to justify an increase in rates.
- The application asks for more than a 15% increase in residential and commercial water service charges and an almost 10% increase in residential and commercial sewer service charges. The proposed irrigation charge increases are over 28%. Clearly an increase of that size is likely to have an

immediate, direct, and noticeable effect on charges these entities pass on to their customers, many of whom are also KIU customers already absorbing KIU's increased charges.

- According to the US Bureau of Labor Statistics, the cost of living index in 2020 - the test year - was a mere 1.4% - hardly justification for an increase of the size KIU is requesting.
- Because KIU was previously a wholly owned subsidiary of our developer, over the years the Commission approved many transactions and relationships between the developer and the utility that would **not** be allowed for an independent privately owned utility. In fact, in February of 2016 the Commission approved a revised Utility Services Agreement that forbid KIU from charging the developer impact and accessibility fees, fees **commonly** assessed throughout the industry. The new KIU's business practices should be appropriate for its corporate structure - and continuation of these types of small operation benefits unfairly disadvantages KIU's ratepayers.
- Particularly grievous are the "additional incremental pipeline costs" related to construction of a secondary water line KIU claims in the amount of \$2.37 m. If I am correct, **the initial estimate for this construction was \$5m but by the time the line was in and operational, the cost had already doubled to \$10m. If those figures were so "off" as to justify an additional \$2.37m now, how good are the rest of the numbers KIU is presenting?**
- Once again, KIU is asking the commission to continue to set its rate based on the operating margin method - a method used in rate setting for **small** utilities. It was argued during the 2017 proceedings that because KIU is no longer a small developer owned utility but a subsidiary of SouthWest Water Company, a large privately owned utility conglomerate, its rate should be based on rate of return on rate base. That was not done and SouthWest Water has continued to grow. It has continued to tout many benefits and enhancements customers receive **because** the local utility is owned by a large parent corporation. SouthWest shouldn't be allowed to have it both ways. It is time for the PSC to recognize that KIU is part of a huge operation and derives all the benefits of that business structure. It is time for the PSC to treat it as such.

There is no question in my mind that KIU deserves an increase. It is up to the PSC and ORS to reframe this rate increase request and evaluate it against the proper standards. KIU's customers are depending on you to drill down into this application to assure that any approved increases are fair not only to KIU, but to those of us who ultimately pay the bills and provide the profit.

Thank you again for holding these hearings on KIU's proposed rate increase, and thank you for your thoughtful consideration in this matter.

Diane Z. Lehder

Kiawah Island, SC 29455